

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

--	--	--	--	--	--	--	--	--	--

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BAC 2674 – TAXATION 1

(All sections / Groups)

27 May 2019

9.00 a.m. – 12.00 p.m.

(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 9 pages excluding the cover page with 5 (five) Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1 (20 MARKS)

a) Sonic Sdn. Bhd. (SSB) is a Malaysian resident company in manufacturing sector. During the basis period for the year of assessment 2017, SSB acquired a folding machine and a mould machine (both are general plant and machineries) costing RM74,000 and RM65,000 respectively. SSB incurred an additional RM26,000 in alterations to its factory building to install the mould machine.

SSB also owned a lorry (licensed as a commercial vehicle) in which it has been acquired on hire purchase terms on 30 June 2018 at the cost of RM150,000. The deposit paid was RM15,000 with monthly instalment (excluding interest) was RM2,000. SSB commenced the first installment on 28 September 2018.

On 15 December 2018, SSB disposed its heavy machinery at the disposal price of RM52,000. The residual expenditure of the machine for the year of assessment 2017 was RM60,000. SSB prepares its accounts to 31 December annually.

Required:

Compute the capital allowances, balancing charge/allowance (if any) for the assets acquired by SSB for the year of assessment 2017 and 2018.

(15 marks)

b) Maju Sdn. Bhd. (MSB) constructed an extension to its factory building for the year of assessment 2016 and incurred cost of land of RM300,000; cost of architect fees for land of RM55,000; cost of architect fees for the extension of RM27,000; construction of the extension of RM660,000; and legal fees for the extension's approval of RM32,000. Part of extension would be used as a showroom which occupied 12% of the total area. MSB prepares its accounts to 30 September annually.

Required:

Compute the industrial building allowance for MSB for the year of assessment 2018.

(5 marks)

[Total = 20 marks]

QUESTION 2 (20 MARKS)

The partnership consists of Jenny and Zainal was formed in 2010 and prepares its accounts to 31 December annually. Jenny and Zainal contributed capital amounted to RM100,000 and RM120,000 respectively with profit sharing ratio 1:2. On 1 April 2018, Asiah joined the partnership and contributed RM80,000 as a capital. The information regarding the partnership business for the year ended 30 December 2018 are as follows:

Continued ...

	Jenny	Zainal	Asiah
	RM	RM	RM
Interest on capital (per annum)	10%	10%	5%
Salaries (per month)	3,000	3,200	2,500
Travelling allowance (per month)	250	300	200

Other information:

1. The provisional adjusted income of the partnership amounted to RM589,425.
2. The partnership donated RM3,000 cash to an approved institution on 31 December 2018.
3. After Asiah joined the partnership, Jenny contributed another RM15,000 as a capital. Jenny, Zainal and Asiah decided to share profit and loss base on their capital contribution. Other terms of partnership remain unchanged.
4. For the year of assessment 2018, capital allowances and balancing charges available to the partnership business were RM60,000 and RM35,000 respectively.

Required:

- (i) Compute the total income for each partner for the year of assessment 2018

(14 marks)

- (ii) Discuss TWO (2) circumstances that could change the partnership.

(6 marks)

[Total: 20 marks]

QUESTION 3 (20 MARKS)

Omar was employed as a senior software engineer with IT Solutions Sdn. Bhd. since 1 July 2007. However, due to some misunderstanding between him and the chief operating officer of the company, his employment was terminated on 30 June 2018. He was 49 years old at the time he was terminated by the company. He received RM50,000 as compensation for losing the job. He also received a gratuity of RM100,000.

During the year 2018, while still under an employment of IT Solutions Sdn. Bhd, he received the following income and benefits from the company:

- i) Gross salary of RM12,000 per month where 10% was contributed to Employee Provident Fund (EPF).
- ii) Accommodation in a fully furnished condominium; the rental of RM2,000 per month (inclusive of the cost of furniture at RM500) was paid by the employer.
- iii) A company car without fuel, cost RM100,000 when new. Approximately, 80% of the usage was for official duty, and the balance of 20% was personal used.
- iv) Medical and dental cost of RM2,000 per annum.

Continued ...

- | | | |
|----|--------------------------------------|-------|
| v) | Leave passages for him and his wife: | RM |
| | - Chiang Mai, Thailand | 1,300 |
| | - Singapore | 750 |
- The costs were all referred to flight tickets only.
- vi) Monthly entertainment allowances and travelling allowances of RM300 and RM500 respectively.

Thereafter, from 1 November 2018 onwards, Omar was employed by Quasa Sdn Bhd, an oil and gas company in Pengerang, Johor. He received a monthly gross salary of RM9,000, where 9% was contributed to EPF. He also received shift allowance and housing allowance of RM1,000 and RM500 per month respectively.

During the year 2018, Omar incurred the following expenses:

- | | |
|--|-------|
| | RM |
| i) The Board of Engineers professional annual membership | 250 |
| ii) Medical expenses for his parent | 3,000 |
| iii) Books and magazines | 1,800 |
| iv) Annual medical insurance | 2,000 |
| v) Cash donation to an approved institution | 1,500 |
| vi) Zakat payment to LZS, an authority established under Selangor authority. | 2,900 |

In 2018, Omar received a dividend of RM10,000 from his investment in Amanah Saham Nasional Bumiputera, a unit trust approved by the government.

Omar was married to Suraya, a full time housewife and the couple was blessed with two children.

The first child, Aleeya, single, aged 20 years old, was studying a degree program at local university. The second child, Ashraf, aged 16 years old, was a student in a secondary school.

Required:

Compute the tax payable of Omar for the year of assessment 2018.

Note: Start your computation with profit before taxation figure and indicating 'NIL' in the appropriate column for item that does not require adjustment

(20 marks)

QUESTION 4 (20 MARKS)

- a) Suraj operates a mini market, SRJ Enterprise since year 2012. For the year ended 31 December 2018, the income statement of the business is as follows:

Continued ...

SRJ Enterprise
Income Statement for the year ended 31 December 2018

	Note	RM	RM
Sales		760,000	
Less: Cost of sales		<u>(380,000)</u>	
Gross profit			380,000
Add: Other income			
Rental income			24,000
Single-tier dividend			<u>3,000</u>
			407,000
Less: Expenses			
Advertisement	1	1,000	
Bad debts	2	6,000	
Depreciation		25,000	
Entertainment	3	3,000	
Bank loan interest	4	2,900	
Accounting fees		2,500	
Subscription to political party		1,500	
Motor vehicle expenses	5	5,800	
Water and electricity	6	10,087	
Petrol and oil for sales vehicles		6,700	
Legal fees	7	3,500	
Staff salaries		195,000	
Compensation	8	2,100	
Loss on the disposal of an asset		1,000	
Donation	9	2,500	
			<u>268,587</u>
Profit before taxation			<u><u>138,413</u></u>

Notes:

1. Advertisement refers to expenses incurred in promoting the mini market which includes flyers, brochures and banner of the business.
2. Bad debt refers to trade debt written off of RM4,000 and advance made to an employee of RM2,000 which is not recoverable.
3. Entertainment includes an amount of RM1,000 in respect of a lunch treat for the company's customers who have been supporting the business since its commencement. The balance of RM2,000 was incurred on business promotional gifts which had incorporated the business product logo.
4. Bank loan interest refers to financial charges incurred for the loan taken used to finance the vehicles and stock of the business.

Continued ...

5. Motor vehicle expenses include the payment made for business motor vehicle's insurance of RM2,200, repair and maintenance of the vehicle of RM3,000 and traffic summons of RM600.
6. Water and electricity expenses include bills for water and electricity consumed during the year of RM9,587 and the penalty for late payment on electricity bill of RM500.
7. Legal fees refers to amount paid for collection of trade debts and fees paid for bank loan arrangement of RM3,000 and RM500 respectively.
8. Compensation refers to a payment made to a customer who was injured at SRJ Enterprise's business premises.
9. Donation of RM2,500 cash was made Yayasan Barakah, an approved institution.

Besides the above information, the business is also entitled for capital allowances of RM20,000 and balancing allowances of RM1,200.

Required:

Compute the aggregate income of SRJ Enterprise for the year of assessment 2018.

Note: Start your computation with profit before taxation figure and indicating 'NIL' in the appropriate column for item that does not require adjustment.

(20 marks)

QUESTION 5 (20 MARKS)

a) Inderaloka Sdn. Bhd. is a locally incorporated company operating in Shah Alam, Selangor. The company is specializing in manufacturing its own brand of car accessories under the name of 'PowerAccessories'. For sales and distribution of the products, the company has signed agreements with several agents. These appointed agents are responsible to sell and distribute the products, and they are to be paid commission based on the sales made.

However, lately, due to stiff competition, the demand of 'PowerAccessories' has started to fall. In order to reduce the operating costs, Inderaloka Sdn. Bhd. has decided to cancel few existing agreement with several agents. As a result of that, the company has to pay a lump sum amounting to RM500,000 to these agents.

Besides that, Inderaloka Sdn. Bhd. also exercised the downsizing activity. Few employees were offered to leave the company, and a lump sum of RM270,000 were paid to compensate these selected employees.

Continued ...

Required:

(i) Based on the information given, explain to Inderaloka Sdn. Bhd. on the tax consequences of RM500,000, the compensation to be paid to several agents due to cancellation of agreement on sale and distribution of PowerAccessories.

(5 marks)

(ii) Assuming Mr. Ng, a 40-year-old, had been serving Inderaloka Sdn. Bhd. for 5 years. He was one of the employees being terminated by the company when the downsizing activity took place and paid a compensation of RM30,000. State with reasons, whether the sum of RM30,000 received by Mr. Ng is a taxable income.

(5 marks)

b) Mr. Surouyo is an Indonesian national and first arrived in Malaysia on 30 September 2014. He left Malaysia permanently to Indonesia on 2 August 2018. His pattern of stay in Malaysia was as follows:

<u>Year</u>	<u>Period of stay</u>	<u>No. of days</u>
2014	30.9.2014 – 31.12.2014	93
2015	1.1.2015 – 10.7.2015	191
	2.9.2015 – 11.10.2015	40
2016	3.4.2016 – 15.10.2016	196
2017	3.4.2017 – 15.7.2017	104
2018	15.1.2018 – 31.1.2018	17
	1.2.2018 – 1.7.2018	151
	15.7.2018 – 2.8.18	18

Required:

Determine the residence status of Mr. Surouyo for the years of assessment 2014 to 2018 explaining the basis for your determination.

Note: You are required to quote the relevant sections of the law where appropriate.

(10 marks)

[Total: 20 marks]

End of question.

APPENDIX 1

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions.

i) Income tax rates for resident individuals for the year assessment 2018.

	Chargeable Income	Tax Rate	Income Tax Payable
	RM	(%)	RM
First	2,500	0	0
Next	<u>2,500</u>	0	<u>0</u>
On	5,000		0
Next	<u>5,000</u>	1	<u>50</u>
On	10,000		50
Next	<u>10,000</u>	1	<u>100</u>
On	20,000		150
Next	<u>15,000</u>	3	<u>450</u>
On	35,000		600
Next	<u>15,000</u>	8	<u>1,200</u>
On	50,000		1,800
Next	<u>20,000</u>	14	<u>2,800</u>
On	70,000		4,600
Next	<u>30,000</u>	21	<u>6,300</u>
On	100,000		10,900
Next	<u>50,000</u>	24	<u>12,000</u>
On	150,000		22,900
Next	<u>100,000</u>	24	<u>24,000</u>
On	250,000		46,900
Next	<u>150,000</u>	24.5	<u>36,750</u>
On	400,000		83,650
Next	<u>200,000</u>	25	<u>50,000</u>
On	600,000		133,650
Next	<u>400,000</u>	26	<u>104,000</u>
On	1,000,000		237,650
Exceeding	<u>1,000,000</u>	28	<u>...</u>

ii) Reliefs for the year of assessment 2018

Individual Relief Types	RM
Self	9,000
Disabled self, additional	6,000
Medical expenses expended on parents	5,000 (limited)
Parental care (each)	1,500
Medical expenses for serious disease for self, spouse or child	
Complete medical examination for self, spouse, child – RM500 (limited)	6,000 (limited)
Basic supporting equipment	6,000 (limited)

Study course fees for skills or qualifications	7,000 (limited)
Lifestyle allowance	2,500 (limited)
Spouse relief	4,000
Disabled spouse, additional	3,500
Child – basic rate (each)	2,000
Disabled child	6,000
Child – higher rate (each)	8,000
Breastfeeding equipment	1,000
Life insurance premiums and contributions to approved funds	6,000
Private retirement scheme contributions, deferred annuity premiums	3,000
Medical and/or education insurance premiums	3,000
Deposit for a child into the National Education Savings Scheme	6,000
Contribution to Social Security Organisation (SOCSO)	250

iii) Rebates

	RM
Chargeable income not exceeding RM35,000	
Individual	400
Individual who has been given a deduction in respect of a spouse or former wife	400

iv) Value of benefits in kind

a) Car and fuel scale

Cost of car (when new)	Prescribed annual value of private usage of car	Fuel per annum
RM	RM	RM
Up to 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001 – 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half of the prescribed annual value (above) is taken if the car is provided is more than five (5) years old, but the value of the fuel provided remains unchanged.

Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

b) Household Furnishings, Apparatus & Appliances

	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM 840 (RM 70 per month)
(b)	Semi-furnished with furniture as in (a) above and one or more of the following: air-conditioners, curtains and carpets	RM 1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as in (a) and (b) above with one or more of the following: kitchen equipment, crockery, utensils and appliances.	RM 3,360 (RM 280 per month)
(d)	Service charges and other bills such as for water, electricity and telephone.	Service charges and bills paid by the employer.

Gardener	RM 3,600 per annum
Domestic servant	RM 4,800 per annum
Driver	RM 7,200 per annum

v) Capital allowances

	Initial allowance Rate (%)	Annual allowance Rate (%)
Motor vehicles and heavy machinery	20	20
General plant and machinery	20	14
Office equipment, furniture and fittings	20	10
Industrial building	10	3
Computer, information technology equipment & computer software	20	40

End of Page